Brascade Resources Inc.

1981 Annual Report

Brascade Resources Inc.

Brascade Resources Inc. is a holding company whose main asset is a forty-two percent fully diluted common equity interest in Noranda. Over time Brascade will acquire other resource interests and develop as an operating company in its own right.

Financial Highlights

millions	1981
Total assets	**$2,097.3**
Shareholders' equity	
Preferred shares	**311.4**
Common shares	**1,480.9**
Net loss	**9.8**
Number of preferred shares outstanding	**7.8**
Number of common shares outstanding	**41.4**
Registered shareholders	**13,499**

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Directors' Report To Shareholders

Economic conditions adversely affected Noranda's earnings and resulted in Brascade recording an operating deficit of $9.8 million for the period ended December 31, 1981. Subsequent to the year end Noranda reduced its annual common share dividend from $1.40 per share to $1.00 per share; however, this lower common share dividend combined with Noranda's preferred share dividends is sufficient to service Brascade's preferred dividend requirements. In addition, the cumulative rights attaching to the preferred share dividends are supported by Brascade's substantial common equity.

The world economy is presently in the trough of a severe recession. Despite this, inventories of many commodities to which Noranda's earnings are most sensitive are relatively lean. This is partly due to the high interest rates prevailing and partly due to reduced producer output. In addition, commodity prices are generally far below levels required to maintain long-term continuity of supply. The anticipated economic recovery should therefore translate quickly into sharply higher Noranda and Brascade earnings.

Formation of Brascade

The formation of Brascade by Brascan Limited and the Caisse de dépôt et placement du Québec in July 1981 reflects their confidence in the long-term value of natural resource holdings. Canadian natural resources hold a particular attraction for both parties in that much of the vast area of Canada is geologically favourable to minerals and oil and gas and climatically favourable to forest products. Noranda is one of Canada's premier natural resource companies and both Brascan and the Caisse have made a long-term commitment to this company through Brascade.

The organization of Brascade involved the pooling of Brascan's and the Caisse's existing Noranda shareholdings together with $599.8 million in cash which provided Brascade with a $1.5 billion common equity base. The Brascade common shares are presently held 70% by Brascan and 30% by the Caisse.

At the outset Brascade owned 24.4 million Noranda common shares and 0.2 million Noranda convertible preferred shares and established lines of credit of $1.0 billion with eight Canadian chartered banks. In August Brascade agreed with Noranda to purchase 12.5 million common shares from the Noranda treasury, and by October it had successfully completed a public offer for 10.0 million additional common shares and 1.8 million convertible preferred shares. These purchases were financed by Brascade's cash resources, part of its bank lines, and the issuance of 7.8 million Brascade convertible preferred shares.

As a result of the above transactions Brascade acquired an effective 42% fully diluted common equity interest in Noranda.

Agreement with Noranda

The August agreement with Noranda with respect to the issue to Brascade of 12.5 million treasury shares also included a commitment by Brascade that Noranda would remain a widely held Canadian public corporation. Consequently, Brascade agreed that it would not acquire more than a majority of the fully diluted Noranda voting shares. This is entirely consistent with Brascade's policy that its principal operating companies maintain their status as public companies.

Brascade also committed itself to support Noranda management and to confine its participation to the board level. This too, is consistent with Brascade's policy which is aimed at encouraging autonomy of management

of its operating companies, with Brascade preferring to contribute its ideas at the board level. Noranda has exceptional management talent, and is especially fortunate to have the leadership of Alfred Powis, particularly during the current difficult economic conditions.

Seven of the eighteen members of the expanded Noranda Board of Directors are Brascade representatives. Brascade endeavoured to select its representatives to provide even greater geographic representation on Noranda's board.

Noranda Outlook

Noranda is a company with unique and extensive natural resource holdings and other operations ranking it among the leading natural resource companies in the world. Since Noranda was incorporated in 1922, it has played a major role in the development of Canada's natural resource industry. We look forward to a continuation of this important contribution in the future. For these reasons we are pleased to have completed a very significant investment in this premier company.

Notwithstanding the negative impact of the current economy on Noranda's operations, which was anticipated at the time Brascan and the Caisse consolidated their Noranda holdings in Brascade, we continue to believe the investment in Noranda will be particularly rewarding in the years ahead.

Noranda is fortunate to enter the current down cycle in a well-financed position, partly as a result of the $500.0 million treasury subscription by Brascade. Noranda's working capital position at year end was strong and the company's debt position, measured in relation to shareholders' equity, was highly satisfactory. This strong financial foundation will help Noranda make its way successfully through a world economy which has created the worst economic conditions for raw material producers since the 1930's.

Brascade Corporate Development

While Brascade is presently a holding company whose main asset is the Noranda investment, in due course Brascade will acquire other resource interests and develop as an operating company in its own right. As a step in this direction, Brascade continues to review the feasibility of acquiring Brascan's 84% interest in Westmin Resources Limited, a natural resource company with extensive conventional and heavy oil, gas, coal and base and precious metal holdings.

On behalf of the Board:

J. T. Eyton

J. Trevor Eyton
Chairman and
Chief Executive Officer

March 31, 1982.

Corporate Overview

Canada possesses the second largest national territory in the world, much of which is geologically favourable to minerals and oil and gas. Climate and soil conditions have combined to give Canada the world's second largest coniferous forest reserves while terrain and climate have also given Canada an abundance of relatively inexpensive hydro-electric power.

Canada and the United States continue to yield exciting natural resource discoveries. The last ten years have seen the major oil and gas discoveries of the Beaufort Sea, West Pembina, Elmworth and Hibernia in Canada and other major discoveries in the United States. This period has also seen Canadian mining discoveries such as the Cirque, H-W, Detour Lake and the Saskatchewan uranium deposits and others in the United States such as the Red Dog and Quartz Hill discoveries. These continuing successes are encouraging and suggest that much of Canada's resource potential still awaits discovery either by current or future exploration technology.

In addition to possessing the potential for major natural resource discoveries, Canada is a low cost producer with respect to many commodities. For instance, utilizing by-product credits, the average net mine operating cost in Canada per pound of copper produced is substantially lower than the world average. Zinc, nickel and West Coast lumber are other areas in which Canada is a low cost producer by world standards.

The ownership of natural resource assets is a hedge against an uncertain future. For example, softwood timber prices have grown at a rate in excess of inflation in recent decades and the indications are that this situation will continue, due to overcutting. Through Noranda, Brascade has positioned itself in major Canadian forest products companies. These companies own large timberlands and have cutting rights on substantial additional acreage.

Ownership of natural resources also presents the opportunity to benefit from the processing of these assets through vertically integrated operations. Thus, the more stable earnings from smelting, refining and related manufacturing operations partially offset earnings fluctuations associated with the production of basic commodities.

The location of large natural resource properties in North America is particularly fortunate in that it allows a company such as Noranda to pursue its main activities within a stable political climate. Many of Noranda's counterparts in the resource industry have major operations in politically fragile environments carrying a high degree of country risk.

The current low level of economic activity has brought the price of many natural resource products to levels substantially below that required to bring new production on stream. In the case of copper the price required in real terms to ensure long-term continuity of supply is considered to be approximately 60% to 70% above the current producer price. As the world economies begin to recover, the effect on metal prices could be dramatic given the generally low level of metal inventories as a consequence of prevailing high interest rates.

In order to reduce Canada's dependence on oil imports it will be necessary for oil production to be supplemented by output from heavy oil, tar sands, the Beaufort Sea and other frontier areas. In addition, coal continues to offer attractive prospects in Canada. Brascade, through its commitment to natural resource development, intends to benefit from these opportunities.

The following is a summary of key financial data with respect to Noranda.

millions	**1981**	1980
Balance Sheet		
Assets:		
Cash and marketable securities	**$ 161.7**	$ 225.4
Other current assets	**1,574.4**	1,384.1
	1,736.1	1,609.5
Investments and advances	**1,159.3**	529.3
Net fixed assets	**2,353.2**	1,799.4
	$5,248.6	$3,938.2
Liabilities and Equity:		
Current liabilities	**$ 869.1**	$ 788.0
Deferred liabilities	**377.6**	369.8
Long-term debt	**922.3**	580.4
Minority interest	**210.2**	199.0
Shareholders' equity	**2,869.4**	2,001.0
	$5,248.6	$3,938.2

millions	1981	1980
Income Statement		
Operating earnings after taxes		
Mining and metallurgy	**$ 47.4**	$ 244.5
Oil and gas	**34.8**	8.1
Manufacturing	**58.6**	84.2
Forest products	**21.1**	74.2
Earnings before the following	**161.9**	411.0
Exploration costs	**(66.5)**	(30.0)
Investment income (net of interest paid)	**10.4**	(19.8)
	105.8	361.2
Unusual items	**59.0**	47.2
Earnings	**$ 164.8**	$ 408.4
Statement of Changes in Financial Position		
Sources of Funds		
Cash flow from operations	**$ 301.2**	$ 570.0
Proceeds on sale of assets	**180.2**	57.3
	481.4	627.3
Working capital acquired through acquisitions	**105.2**	105.1
Issue of common shares	**500.8**	12.7
Long-term financing	**188.7**	64.1
Other items	**37.1**	7.3
	1,313.2	816.5
Uses of Funds		
Cash portion of MacMillan Bloedel investment	**193.7**	
Fixed assets and deferred expenditures	**680.2**	380.7
Investments and advances	**59.1**	55.2
Dividends	**173.2**	150.6
Redemption of preferred shares	**142.3**	
Payment of long-term debt	**19.2**	95.8
	1,267.7	682.3
Increase in working capital	**45.5**	134.2
Working capital		
At beginning of year	**821.5**	687.3
At end of year	**$ 867.0**	$ 821.5

Adverse economic conditions and the impact of strikes resulted in Noranda recording sharply reduced earnings of $164.8 million in 1981 compared with $408.4 million in 1980. Earnings per share after preferred dividends were $1.33 in 1981 in contrast to $4.06 per share in the preceding year. Earnings in 1981 were increased by unusual items of $59.0 million being a combination of a $76.7 million after tax gain on the sale of Noranda's interest in British Columbia Forest Products reduced by a write-off after taxes of $17.7 million with respect to the Ontario Mine in Utah. In 1980 the unusual item of $47.2 million related to the sale of the Koongarra uranium property.

Despite the reduced earnings experienced by Noranda in 1981 its balance sheet at year end was in a highly satisfactory condition with a current ratio of 2:1 and a total debt to equity ratio of only .39:1.

Cash flow from operations and the sale of its interest in British Columbia Forest Products in May provided Noranda with cash resources of $481.4 million in 1981. This cash flow was supplemented by the issue of 12.5 million treasury shares to Brascade for $500.0 million. Long-term financing provided additional funding of $188.7 million.

In April Noranda acquired a 49% interest in MacMillan Bloedel by issuing $500.7 million convertible preferred shares and paying $193.7 million in cash. Noranda redeemed $142.3 million of these preferred shares in September. Expenditures on fixed assets and deferred items were $680.2 million in 1981 compared to $380.7 million in 1980. Noranda made additional investments of $59.1 million and paid dividends of $173.2 million during the year.

Noranda ended 1981 with a strong working capital position of $867.0 million, an increase of $45.5 million over the previous year's level of $821.5 million. The cash and marketable investment portion of working capital was $161.7 million at the end of 1981.

	1981	1980
Geographic Sources of Operating Earnings		
Maritime provinces	**15%**	9%
Quebec	**34**	32
Ontario	**23**	15
Western provinces	**11**	23
Total Canada	**83**	79
Foreign	**17**	21
Total	**100%**	100%

During 1981, Noranda's operations in Quebec continued to account for the largest share of total operating earnings on a geographic basis. This is mainly due to the large mining and metallurgical operations which Noranda has in Quebec, together with the forest products operations of James Maclaren Industries. In future years the western provinces are likely to increase their share of overall operating earnings due to the recently acquired interest in MacMillan Bloedel and the increasing earnings contribution of Canadian Hunter.

Noranda's four main operating areas are reviewed in greater detail on the following pages.

Mining and Metallurgy

Noranda and its associated companies are among Canada's leading mine producers of copper, lead, zinc, molybdenum, gold, silver and potash. In addition, the Noranda Group operates two copper smelters, a copper refinery, a lead smelter, a zinc reduction plant and a fertilizer plant. Noranda also has a sales organization responsible for marketing the output of its mine and metallurgical operations and that of other mining companies.

Based on preliminary 1980 world figures the Noranda Group produced the following percentages of Canada's and of the world's mine output of various metals.

Noranda Group Mine Production as a Percentage of Estimated Total 1980 Output

Metal	Canada	World
Molybdenum	54.0%	6.1%
Zinc	27.0	4.6
Silver	26.0	2.5
Copper	20.0	1.8
Lead	17.0	1.4
Gold	16.0	0.6

Notwithstanding Noranda's large production volumes, adverse world economic conditions took a heavy toll on mining and metallurgy earnings in 1981. Prices for copper, gold, silver and molybdenum were on a downward trend throughout the year. The lead price showed strength during the first half of 1981 mainly due to strikes in the United States and Ireland and reduced secondary production; however, by mid year the price began to weaken. The zinc price rose during the first three quarters of the year as a result of a shortage of zinc concentrate. This situation was exacerbated by strikes in Ireland, Australia and elsewhere. With the ending of strikes and reduced demand the zinc price began to decline early in the fourth quarter.

Summarized Financial Information

millions	**1981**	1980
Noranda's Share		
Sales	**$1,382.2**	$1,623.1
Operating profit after tax	**47.4**	244.5
Average net assets employed	**1,481.1**	1,358.4
Return on average net assets employed	**3.2%**	18.0%

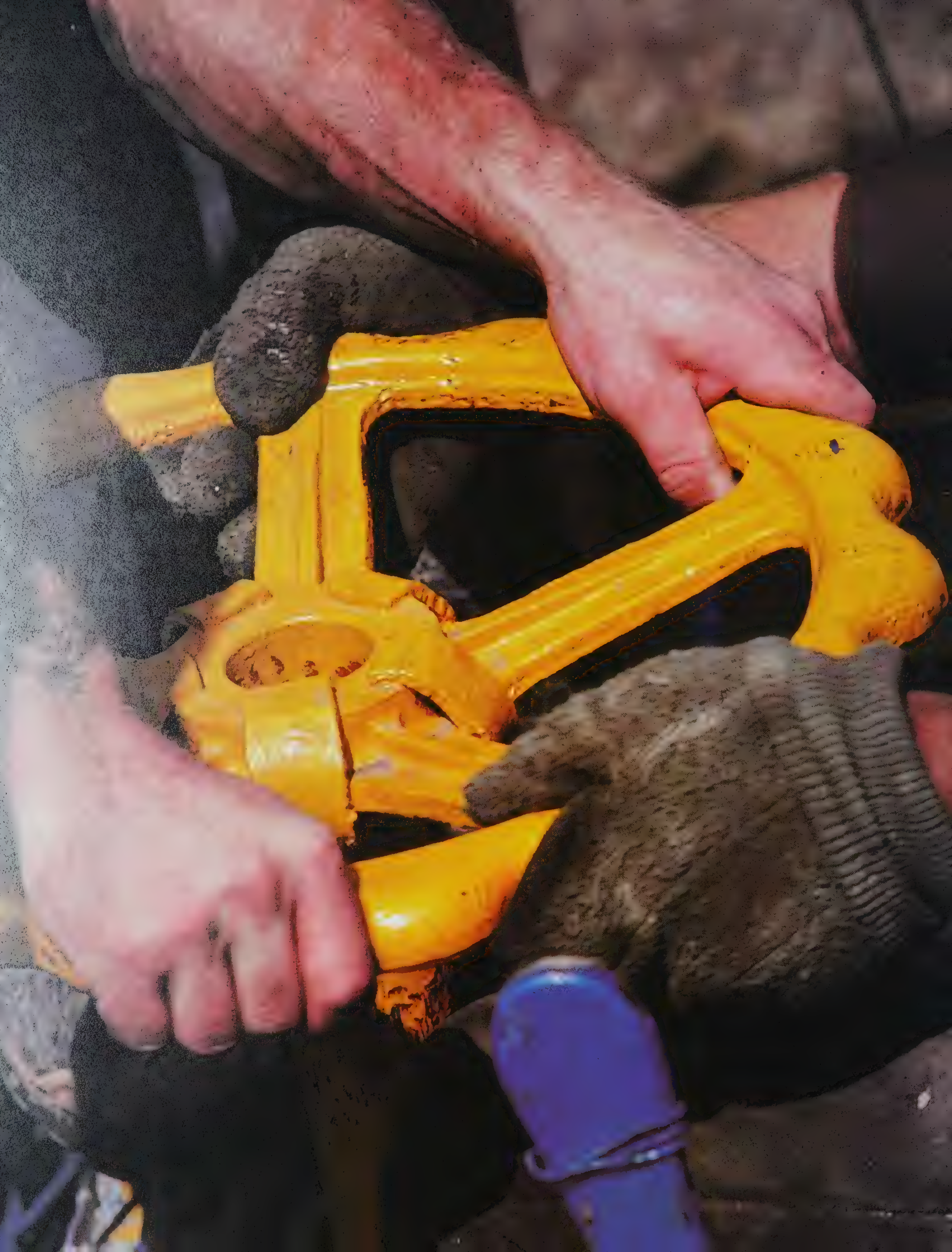
Noranda's share of group mining and metallurgy sales declined to $1,382.2 million in 1981 from $1,623.1 million a year earlier. The combination of reduced sales and increased costs resulted in operating profit after tax of only $47.4 million in 1981 compared with $244.5 million the previous year. Return on average net assets employed in 1981 was only 3.2% versus 18.0% in 1980.

It was not only generally weak metal prices and increasing costs which contributed to the above results. The situation was aggravated by strikes at the Horne smelter and Tara, environmentally required cutbacks at the Horne smelter and lower production rates at Mattabi and Gaspé.

Notwithstanding the poor current metal markets, Noranda is proceeding with several developments which will enhance future earnings. Noranda's 65% owned Goldstream operation in British Columbia is scheduled to start mining its copper/zinc orebody in late 1982 at a rate of 1,500 tons per day. The Grey Eagle gold property in California is scheduled to commence production at a rate of 500 tons per day in late 1982. In addition consideration is being given by Brunswick Mining and Smelting Corporation to joint venturing with Heath Steele Mines Limited in the construction of a new 110,000 tons per annum zinc reduction plant to be situated at Belledune, New Brunswick.

These new projects and Noranda's existing operations should combine to generate substantial mining and metallurgy earnings in the next sustained economic upturn. Currently, the prices of most metals are languishing at levels far below that required to maintain long-term continuity of supply. As little as a 10% increase in the current price of copper and zinc would contribute about $35.0 million in additional Noranda earnings, equivalent to about $0.30 per Noranda share.

Mineral exploration and development expenditures were $43.5 million in 1981. Of this 50% was spent in Canada, 38% in the United States and 12% elsewhere.



Oil and Gas

Noranda has a direct 75% interest in the Canadian Hunter Joint Venture. In addition Noranda has a direct and indirect interest in Kerr Addison Mines of 42.6% which in turn has an 11.1% interest in Canadian Hunter. Noranda's total interest in Canadian Hunter therefore is almost 80%; however, only Noranda's direct interest is referred to in the following narrative. The more stable earnings associated with oil and gas production will help to reduce some of the overall cyclicality in Noranda's earnings.

In the eight years since Canadian Hunter was formed, a period of time during which most companies would feel fortunate to graduate from an exploration company to a junior oil and gas producer status, Hunter's production has developed to the point where it is now one of Canada's leading gas producers. Within the next few years the Elmworth field will be capable of satisfying about 20% of Canada's gas requirements. This is truly a remarkable achievement in that when the joint venture was formed it had no land position or reserves. The immense reserves which it has today were wholly identified through its own exploration efforts, no part of them having been acquired from other parties.

During 1981 gas production continued to increase at a rapid pace reaching a level 234% above that of the preceding year.

Summarized Financial Information

millions	**1981**	1980
Noranda's Share		
Sales	**$ 84.2**	$ 18.1
Operating profit after tax	**34.8**	8.1
Average net assets employed	**234.3**	185.3
Return on average net assets employed	**14.9%**	4.4%

The increased gas volumes resulted in 1981 operating profit after tax (before exploration write-offs) of $34.8 million compared to $8.1 million in 1980.

By the end of 1982, the contracted process capability and delivery system capacity from the Alberta Deep Basin is expected to be over 1,000 mmcf per day of which Noranda's share will be 270 mmcf per day.

At year end 1981 Noranda's share of reserves before royalty interest was as follows:

Category	Oil and Natural Gas Liquids	Marketable Natural Gas
	(millions of barrels)	(billions of cubic feet)
Proven	3.6	793
Probable	2.7	527
Proven and Probable	6.3	1,320

Having control over such a large quantity of natural gas offers the economies of scale to upgrade returns by extracting the natural gas liquids from the raw gas flows and selling these liquids separately at higher prices.

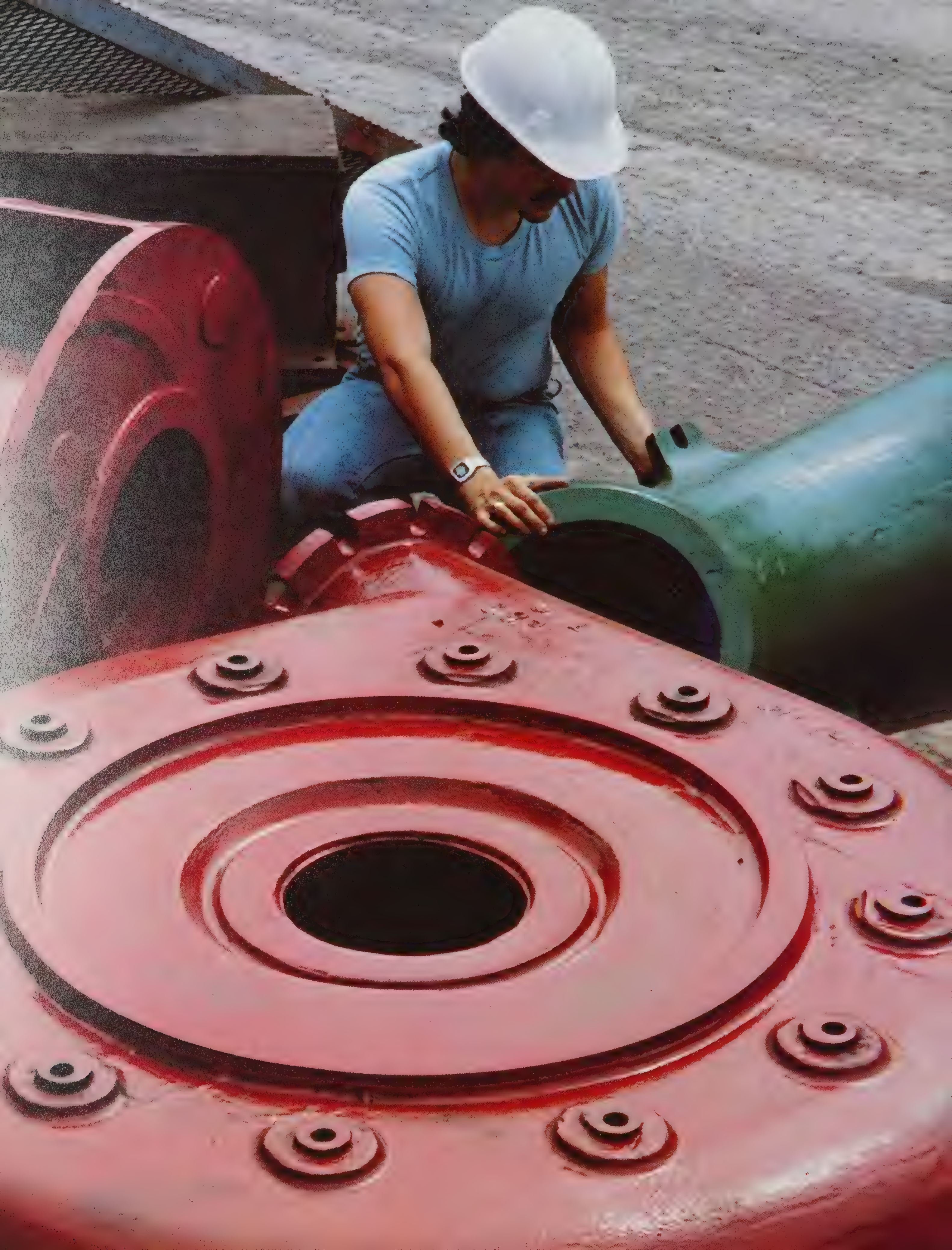
Canadian Hunter possesses a very large exploration land position centered mainly in the Deep Basin area of Alberta and British Columbia and in the Nechako Basin of the central interior of British Columbia. The year end land position is summarized below:

Category	Gross Acres	Net Acres
Leases	1,739,900	928,000
Reservations, Licences and Permits*	7,667,400	6,095,400
	9,407,300	7,023,400

*Includes 6,441,400 (5,314,200 net) acres in Nechako Basin, British Columbia.

During 1981 Noranda expended $57.3 million with respect to Canadian Hunter of which $26.1 million was in connection with land acquisition and exploration and $31.2 million with regard to oil and gas development. Noranda's gross investment since 1973 has been $331.0 million, partially offset by its share of production income of $102.0 million for a net investment at the end of 1981 of $229.0 million.

The American Hunter Joint Venture exploration operation was started in 1980 with a 75% Noranda ownership. A land position of 2,030,361 gross acres and 983,701 net acres was held at end 1981. During 1981 Noranda expended $54.3 million within this joint venture mainly for land acquisition and exploration. To date Noranda's gross investment in American Hunter has been approximately $80.0 million which has been reduced by production income of about $2.5 million for a net investment at end 1981 of the order of $77.5 million.



Manufacturing

Noranda's manufacturing operations include wire and cable production, aluminum smelting, aluminum building products, sheet and foil, iron foundry and brass mill products, wire rope, grinding media, plastics and fibre optics. In addition to providing a greater degree of integration to Noranda's mining and metallurgical operations, the less volatile nature of the company's combined manufacturing operations offsets to some degree the cyclicality associated with the production of commodities. This situation was borne out in 1981 in that while operating profit from manufacturing was below that of 1980, earnings from this source were better maintained than those of mining and metallurgy and forest products.

Summarized Financial Information

millions	**1981**	1980
Sales	**$1,520.4**	$1,376.0
Operating profit after tax	**58.6**	84.2
Average net assets employed	**863.0**	671.0
Return on average net assets employed	**6.8%**	12.5%

During 1981 the overall reduced manufacturing operating profit of $58.6 million after tax was due to good results at Canada Wire and Cable Limited which were more than offset by sharply reduced earnings from Noranda's aluminum operations.

Favourable results from the Toronto Group, which includes wholly-owned Canada Wire and Grandview Industries Limited, resulted in operating profit after tax of $39.3 million, an increase of 25.6% over the previous year. In late 1981 Canada Wire acquired Carol Cables, a major United States manufacturer of wire and cable, for $168.0 million. This investment provides Canada Wire with an appropriate entry vehicle to the United States market and is expected to contribute significantly to Canada Wire's overall profitability. The Carol Cables acquisition is by far the largest in Canada Wire's history. Canada Wire is also engaged in capital expenditure programs involving modernization at the Leaside plant, a continuous rod mill construction project in Montreal East and a fibre optics plant in Winnipeg. Both the continuous rod mill project and the fibre optics plant are expected to be completed in 1982.

Subsequent to year end Canada Wire obtained a foothold in the European Common Market through the acquisition of a 49% interest in Irish Cable and Wire. Canada Wire and Cable now has manufacturing operations in eleven countries including Canada.

Because of limited or declining markets in many areas supplied by plants which, in the past, were less than cost effective, the Montreal Group for many years has faced a greater challenge than its associate companies in Noranda's manufacturing area. As a result of promoting more cost effective production methods, the 1981 operating profit after tax of the Montreal Group increased to $4.4 million as compared with $2.1 million in 1980.

Noranda Metal Industries was severely affected by the adverse automobile and housing markets; nevertheless the sale of some assets and the joint venturing of others helped to strengthen its balance sheet. The Norcast foundry group had to contend with fluctuating alloy metal prices and depressed demand from the mining industry for its grinding media.

The wire rope operations of Bridon-American owned 49% by Noranda reflected excellent profits as a result of strong demand from the petroleum industry, cost reduction programs and lower raw material prices. Wire Rope Industries, which is 51% owned by Noranda, reflected good results and during 1981 acquired the Canadian assets of Martin-Black Inc. as well as additional plant in Western Canada.

Noranda's operating profit after tax from its aluminum based Cleveland Group declined to $14.8 million in 1981 from $50.8 million in 1980. This reduction in profitability in 1981 to only 29% of the previous year's level was the result of the combined effects of lower primary aluminum prices and a depressed housing market.

At the New Madrid aluminum smelter the installation of the third potline at an expected cost of about $290.0 million is expected to be completed in mid-1982. The lower primary aluminum price had a positive impact on Norandal's foil operations and helped produce the best results since Noranda acquired this company. Norandex which manufactures aluminum building products was profitable despite the depressed housing market.

Forest Products

Forest product companies associated with Noranda are major Canadian producers of lumber, panel products, market pulp and paper. In addition, these companies own over 1.5 million acres of timberlands and have cutting rights on a further 8.9 million acres for a total timber management area of about 10.4 million acres.

The following illustrates the Noranda Group's timberland position:

Company	Noranda Ownership	Timberlands Managed (thousand acres) Owned	Cutting Rights	Total
MacMillan Bloedel	49%	719	3,296	4,015
Fraser	64	765	1,106	1,871
Maclaren	100	40	1,812	1,852
Northwood Pulp	50	2	2,698	2,700
Total		1,526	8,912	10,438

MacMillan Bloedel has the economic equivalent of ownership over about 500,000 acres of timberlands included under the heading of cutting rights above in that only a fixed royalty is payable when the timber is harvested.

During 1981 several events in the industry combined to depress Noranda's forest products earnings severely. Following a six-week strike in the British Columbia industry, lumber and plywood prices collapsed in mid 1981 in response to interest rates and a level of housing starts in the United States which was a 35 year low. The price of newsprint increased during 1981 as a result of strong demand, partly due to downgrading from more expensive paper to cheaper newsprint and partly due to fears of strike induced supply disruptions. Market pulp prices generally held steady during 1981.

Summarized Financial Information

millions	1981	1980
Noranda's Share		
Sales	**$1,474.0**	$851.0
Operating profit after tax	**21.1**	74.2
Average net assets employed	**1,309.0**	629.0
Return on average net assets employed	**1.6%**	11.8%

While Noranda's share of sales increased to $1,474.0 million in 1981 from $851.0 million in 1980 operating profit after tax declined to $21.1 million from $74.2 million the previous year. The large increase in sales was mainly due to the acquisition of a 49% interest in MacMillan Bloedel in late April.

MacMillan Bloedel: 49%

Noranda acquired its interest in MacMillan Bloedel for $694.4 million. MacMillan Bloedel is Canada's largest forest products company. The combined effects of the British Columbia forest industry strike and the subsequent collapse of the wood products markets resulted in Noranda recording a $23.3 million operating loss on its MacMillan Bloedel investment in 1981. The excellent future prospects for MacMillan Bloedel are expected to more than offset the negative impact of the current recession.

Fraser: 64%

Noranda's share of Fraser's earnings amounted to $12.2 million in 1981 as opposed to $19.3 million the previous year. Fraser's greater dependence on pulp and paper markets, which were firmer than those for wood products, helped to maintain earnings in 1981. Fraser is currently engaged in the modernization of its Atholville pulp mill at an expected cost of $183.0 million.

James Maclaren Industries: 100%

Maclaren's large newsprint and pulp sales volumes resulted in relatively good operating earnings in 1981. During 1981 Maclaren acquired a 50% interest in Maniwaki Industries and in addition, 27% of Normick Perron, the leading producer of softwood lumber in Eastern Canada.

Noranda's investments in the high technology sector are mainly conducted through Maclaren. Within the last three years significant and profitable equity positions have been taken in companies in this area such as Lumonics Inc., Mitel Corporation and Norpak Limited as well as participations in venture capital partnerships.

Northwood Pulp and Timber: 50%

Northwood Pulp and Timber, a 50% owned joint venture with Mead Corporation, contributed $5.1 million to Noranda's 1981 earnings as compared with $10.9 million in 1980. Northwood Pulp and Timber is doubling the size of its Prince George pulp mill at a total cost, including interest, of $375.0 million. When this expansion is completed in September 1982, the Prince George pulp mill will be the largest in the western world.

Northwood Mills: 100%

Difficult business conditions prevailed in 1981 for Northwood Mills as its sales are based on lumber and panel products. Northwood Mills also serves as a holding company for Noranda's various forest product investments.

Balance Sheet

December 31 millions (note 5)	1981
Assets	
Investments—	
Noranda Mines Limited (notes 1 and 2)	**$1,976.8**
Other, at cost	**120.5**
	$2,097.3
Liabilities	
Dividends and interest payable	**$ 8.3**
Income taxes payable	**4.1**
Term bank loans (note 3)	**292.6**
	305.0
Shareholders' equity	
Share capital (notes 2 and 4)—	
Convertible preferred shares	**311.4**
Common shares	**1,500.0**
	1,811.4
Deficit	**(19.1)**
	1,792.3
	$2,097.3

(See accompanying notes)

On behalf of the Board:

J. Trevor Eyton

J. Trevor Eyton, Director

M. Cazavan

Marcel Cazavan, Director

Auditors' Report

To the Shareholders of Brascade Resources Inc.:

We have examined the balance sheet of Brascade Resources Inc. as at December 31, 1981 and the statements of operations and deficit and changes in financial position for the period then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1981 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

Toronto, Canada
February 28, 1982

Touche Ross & Co.
Chartered Accountants

Statement of Operations

Period ended December 31 millions (note 5)	1981
Investment income	
Dividends from Noranda Mines Limited—	
Preferred	$ 5.4
Common	3.6
Interest and other	24.9
	33.9
Expense	
Interest	13.3
General corporate	.2
Income taxes	4.1
	17.6
	16.3
Equity in loss of Noranda Mines Limited from October 1, 1981 (note 2)	26.1
Net loss for period	9.8
Preferred dividends	9.3
Deficit, end of period	$19.1

(See accompanying notes)

Statement of Changes in Financial Position

Period ended December 31 millions (note 5)	1981
Funds provided	
Operations	**$ 32.5**
Shares issued—	
Preferred	**311.4**
Common	**1,500.0**
Term borrowings	**292.6**
Miscellaneous	**12.4**
	$2,148.9
Funds used	
Investment in Noranda Mines Limited	**$2,019.1**
Other investments	**120.5**
Preferred dividends	**9.3**
	$2,148.9

(See accompanying notes)

Notes to Financial Statements

1. **Summary of accounting policies**

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada. Reasonable limits of materiality have been applied within the framework of the accounting policies summarized below.

The Company has a 42% fully diluted interest in Noranda Mines Limited, a major Canadian public natural resource company. This investment is carried on the equity method from October 1, 1981 (note 2).

Other investments consist mainly of preferred shares and are carried at cost.

2. **Noranda Mines Limited**

On August 10, 1981 the Company issued 41,379,312 common shares at $36.25 per share for cash of $599.8 million, 24,360,390 common shares and 157,475 convertible preferred shares of Noranda Mines Limited previously held by Brascan Limited and the Caisse de dépôt et placement du Québec.

Pursuant to a public offer the Company completed the purchase of 10,000,000 common shares and 1,800,000 convertible preferred shares of Noranda Mines Limited on October 7, 1981 by the payment of $287 million in cash and the issuance of 7,785,389 convertible preferred shares.

In addition, on October 7, 1981 the Company purchased 12,500,000 common shares of Noranda Mines Limited from treasury for cash of $500 million.

As a result of these purchases the Company has a 42% fully diluted interest in Noranda Mines Limited. The excess of cost over net book value acquired amounting to $769 million relates primarily to property, plant and equipment and is being amortized over the related useful lives.

3. **Term bank loans**

The Company has established a $1.0 billion term loan facility of which one half is available for the purpose of purchasing additional shares of Noranda. The balance of the facility is available for other investments. The loans bear interest at prime rates and may be drawn down on a revolving basis until June 30, 1984 at which time they are convertible to term loans repayable in 14 equal semi-annual instalments bearing interest at various rates not exceeding one half of one percent over prime.

4. **Share capital**

The Company is authorized by Certificate and Articles of Continuance dated July 24, 1981 to issue an unlimited number of common shares, of which 41,379,435 are issued and outstanding. On August 13, 1981 and on August 28, 1981 the Company received Certificates and Articles of Amendment authorizing an unlimited number of preferred shares to be issued in series, of which 25,000,000 convertible preferred shares were authorized for issue, as the first series and 7,785,366 are issued and outstanding.

The following rights and privileges apply to the convertible preferred shares issued by the Company:

(i) entitlement to cumulative quarterly dividends calculated on the issue price of $40 per share at a variable rate, equal to 1½% plus ½ of the average daily prime lending rate of a specified Canadian chartered bank, subject to a minimum rate from the date of issue to December 31, 1981 of 12.875% on an annual basis and thereafter of 9% on an annual basis;

(ii) retractable by the holders on September 30, 1986 at $40 per share plus accrued and unpaid dividends thereon;

(iii) not redeemable, except in certain circumstances, before September 30, 1984. Redeemable on and after September 30, 1984, but subject to certain conditions prior to September 30, 1986. Thereafter redeemable at any time at prices declining from $42 to $40 per share in 1991 plus in all cases accrued and unpaid dividends thereon;

(iv) fully voting on the basis of one vote per convertible preferred share; and

(v) convertible at the option of the holders into one common share for each convertible preferred share on or prior to September 30, 1991.

5. **Statutory and other information**

On July 24, 1981, the Company commenced its current activities, was continued under the Canada Business Corporations Act and changed its name to Brascade Resources Inc. Operating results have been provided for the period commencing on that date. Financial information prior to that date is not meaningful and accordingly has not been provided.

From time to time the Company engages in investment transactions with affiliates. These transactions are based on normal market terms.

Loss per share for the period was $0.46.

Directors

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Deputy Chairman
Edper Investments Limited

Peter F. Bronfman (Director-elect)
Montreal, Canada
Chairman
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Marcel Cazavan (Retiring)
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Special Adviser to the Chairman
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Caisse de dépôt et placement du Québec

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President and Chief Executive Officer
Brascan Limited

A. William (Bill) Farmilo (Retiring)
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Jean Labrecque (Retiring)
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